Thirty-second Annual Report

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

FOR THE YEAR ENDED
December 31, 1942

STRAWBOARD
MRL
G52.0973
C221r

THE CLEVELAND PUBLIC LIBRARY

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

1942

BOARD OF DIRECTORS

JOHN B. DENNIS, *Chairman*	New York, N. Y.
EDWARD C. BAILLY	New York, N. Y.
T. J. CUNNINGHAM	New York, N. Y.
H. R. DENNIS	New York, N. Y.
J. W. PLESS	Asheville, N. C.
W. M. RITTER	Columbus, Ohio
H. H. VREELAND	New York, N. Y.

OFFICERS

JOHN B. DENNIS	*President*
EDWARD C. BAILLY	*Vice-President*
T. J. CUNNINGHAM	*Secretary & Treasurer*
WARREN P. EATON	*Ass't Sec'y & Ass't Treas.*
JOHN W. SANDERS	*Ass't Sec'y & Ass't Treas.*

WILLKIE, OWEN, OTIS, FARR & GALLAGHER — *General Counsel*

NEW YORK OFFICE — 1 East 57th Street

Stock Transfer Agent
and
Dividend Disbursing Agent

THE NEW YORK TRUST COMPANY
100 Broadway, New York.

Stock Registrar

BANKERS TRUST COMPANY
16 Wall Street, New York.

THIRTY-SECOND ANNUAL REPORT

NEW YORK, April 1, 1943.

To the Stockholders of
CAROLINA, CLINCHFIELD AND OHIO RAILWAY:

The Thirty-second Annual Report of the Board of Directors, for the year ended December 31, 1942, is submitted herewith:

Under an indenture dated October 16, 1924, the properties of Carolina, Clinchfield and Ohio Railway and its subsidiaries were leased to Atlantic Coast Line Railroad Company and Louisville and Nashville Railroad Company for a period of 999 years from May 11, 1923, at an annual money rental as follows:

3% on $25,000,000 Capital Stock, or $750,000 annually, for three years from January 1, 1925.

4% on $25,000,000 Capital Stock, or $1,000,000 annually, for ten years from January 1, 1928.

5% on $25,000,000 Capital Stock, or $1,250,000 annually, from January 1, 1938, to May 10, 2922.

In addition to the foregoing money rental, the Lessees agree to pay the interest charges on the outstanding funded debt of and guaranteed by the Carolina, Clinchfield and Ohio Railway and on any bonds that may be issued to refund the same.

The Lease also provides that the Lessees will pay all charges and other expenses in connection with the payment of interest, shall pay all taxes upon the franchises and leased property and the income thereof, and shall also pay a sum equal to the annual corporate expenses of the Lessors not in excess of $12,000 per annum. All rental payments under the Lease are the joint and several obligations of the Atlantic Coast Line Railroad Company and the Louisville and Nashville Railroad Company.

The Lease expressly provides that in case of the issuance of any additional capital stock of the Railway, it shall be stock of a class which has no right to participate in any dividends declared from the money rentals above mentioned, which money rentals have been fixed at the amount specified for the purpose of enabling the Railway to pay dividends upon the $25,000,000 par value Capital Stock at the rates and for the periods above mentioned, and are not intended to be used for any other purposes whatsoever. In consideration of these money rentals, the stockholder agrees with the Lessees that he will vote his stock in such manner as is necessary to carry out the provisions of the Lease from time to time.

The payment of the above-mentioned annual money rental is to be made in equal quarterly instalments beginning April 1, 1925, to enable

the Lessor to pay dividends upon its $25,000,000 Capital Stock at the rates specified.

The making of the aforesaid Lease was authorized by the Interstate Commerce Commission on June 3, 1924 (Finance Docket No. 3131).

Possession of the leased properties was delivered to the Lessees on December 1, 1924, and the first payment of the money rental under the Lease was made to the Lessors on April 1, 1925.

Quarterly dividends, at the rate of five per cent. per annum on the Railway's $25,000,000 Capital Stock, were paid out of the money rental received from the Lessees during 1942.

The stockholders, at their annual meeting held at Bristol, Virginia, on May 12, 1942, authorized amendments to the By-Laws of the Corporation, reducing the number of members of the Board of Directors from nine to seven and of the Executive Committee from five to three.

At a meeting of the Board of Directors on the 11th day of June, following the death on February 25th of Mr. Mortimer N. Buckner, the following resolutions were adopted:

> RESOLVED, That the Board of Directors of Carolina, Clinchfield and Ohio Railway hereby record their deep regret and sorrow upon the death on February 25, 1942, of their associate, Mortimer N. Buckner; and further
>
> RESOLVED, That, in tribute of appreciation and affection for his long and faithful services as a director, there be inscribed upon the minutes of this meeting their recognition that through his death the Corporation has suffered the loss of a most loyal and helpful director, whose judgment and counsel have always been of great value in the conduct of the affairs of the Corporation, and that he will be greatly missed and long remembered; and further
>
> RESOLVED, That a copy of these resolutions be transmitted to his bereaved family as an expression of our heartfelt sympathy and esteem.

Submitted as a part of this report are a statement of mileage, a summary of the operation of the leased properties, a copy of the consolidated balance sheet and a description of the funded debt.

For the Board of Directors,

JOHN B. DENNIS,
President.

MILEAGE

The mileage owned by Carolina, Clinchfield and Ohio Railway and its subsidiary, Carolina, Clinchfield and Ohio Railway of South Carolina, is as follows:

	Miles
Carolina, Clinchfield and Ohio Railway:	
Main line: Elkhorn City, Ky., to N. C.-S. C. State Line....	258.76
Branch lines: Carbo, Va., to Wilder, Va.....	8.40 *
Bostic Yard, N. C., to Junction S. A. L. Ry...	.79
Carolina, Clinchfield and Ohio Railway of South Carolina:	
Main line: N. C.-S. C. State Line to Spartanburg, S. C.....	18.09
Total	286.04

The foregoing mileage since December 1, 1924, has been operated by the Lessees under the name of "Clinchfield Railroad Company."

In addition to the foregoing mileage, the Lessees also operate the following mileage under trackage rights formerly held by Carolina, Clinchfield and Ohio Railway System:

Chesapeake and Ohio Railway, Elkhorn City, Ky.....	.13
Norfolk and Western Railway, Carbo, Va., to St. Paul, Va.....	8.45
Southern Railway: Frisco, Tenn., to Albert Yard, Va.....	13.60
" " Spartanburg, S. C.....	.09
Total	22.27

This makes the total mileage operated by the Lessees, under the Lease, 308.31 miles.

* Includes 2.69 miles on which the rail and fastenings are owned by the Railway and the ties and roadbed owned by industries.

RESULTS OF OPERATION BY LESSEES

The following is a summary of the results of operation of the leased properties, for the year ended December 31, 1942, as reported by the Lessees:

Railway operating revenues		$12,384,278.03
Railway operating expenses		5,183,635.79
Net revenue from railway operations		$ 7,200,642.24
Railway tax accruals		1,497,561.51
Railway operating income		$ 5,703,080.73
Equipment rents	$135,266.23	
Joint facility rents ..... *Dr.*	*5,727.52*	129,538.71
Net railway operating income		$ 5,832,619.44
Non-operating income		14,779.17
Gross income		$ 5,847,398.61
Deductions from gross income:		
Lessor's fixed charges	$ 872,836.79	
Dividend rental	1,250,000.00	
Miscellaneous rental	54,161.58	
Total rental under Lease	$2,176,998.37	
Other deductions	67,772.07	2,244,770.44
Net Income		$ 3,602,628.17

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

AND

CAROLINA, CLINCHFIELD AND OHIO RAILWAY OF SOUTH CAROLINA

CONSOLIDATED GENERAL BALANCE SHEET

DECEMBER 31, 1942

ASSETS

Investments:		
Road and equipment property:		
Road	$55,521,236.73	
Equipment	10,305,688.31	$65,826,925.04
Sinking fund		13,092.50
Miscellaneous physical property		64,388.87
Total investments		$65,904,406.41
Current Assets:		
Cash		$ 45.34
Special deposits		12,202.00
Rents receivable		312,500.00
Total current assets		$ 324,747.34
Deferred Assets:		
Working fund advances		$ 100.00
Due from the Lessees:		
To be accounted for at termination of Lease		3,071,342.05
Total deferred assets		$ 3,071,442.05
Total Assets		$69,300,595.80

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

AND

CAROLINA, CLINCHFIELD AND OHIO RAILWAY OF SOUTH CAROLINA

CONSOLIDATED GENERAL BALANCE SHEET

DECEMBER 31, 1942

LIABILITIES

Capital stock		$25,000,000.00
Funded debt unmatured:		
First Mortgage 4% Bonds, Series A:		
Issued	$22,150,000.00	
Retired through Sinking Fund.	408,000.00	$21,742,000.00
Current Liabilities:		
Interest matured unpaid		$ 330.00
Unmatured dividends declared		312,500.00
Other current liabilities		11,872.00
Total current liabilities		$ 324,702.00
Deferred Liabilities—Due to the Lessees:		
For securities surrendered		$ 2,840,886.56
For sinking fund payments		443,000.00
For balance of funds deposited Trustee, First and Consolidated Mortgage, withdrawn by C. C. & O. Ry. to pay for additions and betterments		146,630.86
Total		$ 3,430,517.42
Less amount due by Lessees for property retired, less additions and betterments		846,632.66
Total deferred liabilities		$ 2,583,884.76
Unadjusted Credits:		
Premium on funded debt		$ 15,034.57
Accrued depreciation—Equipment		2,053,869.61
Total unadjusted credits		$ 2,068,904.18
Corporate Surplus:		
Additions to property through income and surplus		$ 69,058.11
Profit and loss—Balance		17,512,046.75
Total corporate surplus		$17,581,104.86
Total Liabilities		$69,300,595.80

DESCRIPTION OF FUNDED DEBT

DECEMBER 31, 1942

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

FIRST MORTGAGE 4% BONDS, SERIES A:

Dated September 1, 1940, due September 1, 1965, secured by first mortgage on the line of railway and other property from Elkhorn City, Kentucky, to North Carolina-South Carolina state line, 265 miles, by equipment, and by the entire capital stock ($12,000) and $3,000,000 principal amount (entire issue) of First Mortgage Bonds of Carolina, Clinchfield and Ohio Railway of South Carolina, extended to December 15, 1952. Amount authorized and issued, $22,150,000; retired through sinking fund, $408,000; outstanding, $21,742,000. Bonds unconditionally guaranteed as to principal, interest and sinking fund payments jointly and severally by endorsement by Atlantic Coast Line Railroad Company and Louisville and Nashville Railroad Company. Trustee: J. P. Morgan & Co. Incorporated, New York, N.Y. Coupon bonds in denomination of $1,000 each, registerable as to principal only. Fully registered bonds, without coupons, in denominations of $1,000, $5,000, $10,000, $100,000 and any multiple of $100,000 authorized by the Board of Directors. Coupon bonds and registered bonds without coupons are interchangeable. Interest payable March 1 and September 1 at office of Louisville and Nashville Railroad Company, 71 Broadway, New York. Redeemable, as a whole or in part, after not less than 45 days' published notice, on any interest payment date to and including September 1, 1963, and on any date thereafter at the following percentages of the principal sum, viz.: to and including September 1, 1945, at 107½%; thereafter to and including September 1, 1950, at 106%; thereafter to and including September 1, 1955, at 104½%; thereafter to and including September 1, 1960, at 103%; thereafter to and including September 1, 1963, at 101½%; and thereafter at 100%; plus accrued interest in all cases. Semi-annual non-cumulative sinking fund of $110,750 to be applied to the purchase or redemption of the Bonds.

LIBRARY X THE CLEVELAND